

**SCOTT COUNTY HOSPITAL**

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**FINANCIAL STATEMENTS**

**and**

**ADDITIONAL INFORMATION**

**with**

**INDEPENDENT AUDITOR'S REPORT**

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**YEARS ENDED JUNE 30, 2020 AND 2019**

**GBN, P.A.**

*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Scott County Hospital  
Scott City, Kansas

**Report on the Financial Statements**

We have audited the accompanying balance sheets of Scott County Hospital (the Hospital), a component unit of Scott County, Kansas as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scott County Hospital as of June 30, 2020 and 2019, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Additional Information**

Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*CBN, P.A.*

Wichita, Kansas  
January 22, 2021

# SCOTT COUNTY HOSPITAL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Scott County Hospital's ("Hospital") management discussion and analysis presents an overview of the Hospital's financial activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the Hospital's financial statements, which begin on page 7.

### **Financial Highlights**

- Current assets increased 10,528,712 or 132.56% in 2020 compared to a decrease of \$1,501,149 or 15.90% in 2019. The significant increase in 2020 was due primarily to additional funds provided by the federal government to assist the Hospital in managing operations during the COVID-19 global pandemic.
- The Hospital's net patient service revenue decreased by \$194,690 or 1% in 2020 and increased by \$958,021 or 5% in 2019. The decrease is primarily attributable to disruption in operations due to the effects of the global pandemic mentioned above.
- Contractual allowances, bad debts and charity care reduced gross patient service revenue by \$9,479,129 or 33% of gross patient service revenue in 2020 and by \$9,134,760 or 32% of gross patient service revenue in 2019.
- Depreciation expense increased approximately \$242,000 in 2020 primarily due to the expansion of clinical areas of the facility placed in service in July 2019.
- The excess of operating expenses (which includes depreciation expense of \$1,889,764 and \$1,647,528) over operating revenue was \$1,696,634 and \$297,883 in 2020 and 2019, respectively. The increase in the operating loss in 2020 was due primarily to significant decreases in elective procedures and outpatient visit revenue during the initial months of the global pandemic in the spring of 2020. After including the net nonoperating revenues (taxes, interest earnings, etc.) of \$454,508 and \$283,535 for 2020 and 2019, respectively, and after the approximately \$2.3 million of additional revenue earned in 2020 under certain COVID-19 relief programs, the total increase in net position was \$1,063,302 compared to a decrease of \$14,348 in 2019.

### **Financial Statements**

The Hospital's financial statements are prepared using proprietary fund accounting that focuses on the determination of net position, changes in net position, and cash flows in a manner similar to private-sector businesses. The basic financial statements include a *balance sheet*, *statement of revenue, expenses and changes in net position*, and *statement of cash flows*, followed by notes to the financial statements and schedules of certain additional information. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *balance sheet* presents information on the Hospital's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Hospital is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Hospital's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, noncapital financing activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Hospital's cash receipts and cash payments during the year.

### **Net Position**

The Hospital's net position is the difference between its assets and deferred outflows of resources and its liabilities and deferred inflows of resources reported in the Balance Sheets on pages 7 and 8.

|                                  | June 30,             |                      |                      |
|----------------------------------|----------------------|----------------------|----------------------|
|                                  | 2020                 | 2019                 | 2018                 |
| Assets:                          |                      |                      |                      |
| Current assets                   | \$ 18,471,154        | \$ 7,942,442         | \$ 9,443,591         |
| Capital assets, net              | 17,745,049           | 18,811,098           | 16,544,055           |
| Other noncurrent assets          | —                    | —                    | —                    |
| Total assets                     | <u>\$ 36,216,203</u> | <u>\$ 26,753,540</u> | <u>\$ 25,987,646</u> |
| Liabilities:                     |                      |                      |                      |
| Long-term liabilities            | \$ 1,994,370         | \$ —                 | \$ —                 |
| Other liabilities                | 9,639,731            | 3,234,740            | 2,454,498            |
| Total liabilities                | <u>\$ 11,634,101</u> | <u>\$ 3,234,740</u>  | <u>\$ 2,454,498</u>  |
| Net position:                    |                      |                      |                      |
| Net investment in capital assets | \$ 17,745,051        | \$ 18,811,098        | \$ 16,544,055        |
| Restricted                       | 64,605               | 25,053               | 20,017               |
| Unrestricted                     | 6,772,446            | 4,682,649            | 6,969,076            |
| Total net position               | <u>\$ 24,582,102</u> | <u>\$ 23,518,800</u> | <u>\$ 23,533,148</u> |

### **Recent Financial Performance**

The schedule below is a summary of the Hospital's revenues, expenses and changes in net position for the past three years.

|                               | Year ended June 30, |                   |                    |
|-------------------------------|---------------------|-------------------|--------------------|
|                               | 2020                | 2019              | 2018               |
| Operating revenue             | \$ 20,709,333       | \$ 21,006,247     | \$ 19,844,820      |
| Operating expenses:           |                     |                   |                    |
| Salaries                      | 12,185,710          | 11,528,431        | 11,353,953         |
| Employee benefits             | 3,132,237           | 3,230,636         | 3,147,935          |
| Supplies and other            | 5,198,256           | 4,897,535         | 5,131,864          |
| Depreciation and amortization | 1,889,764           | 1,647,528         | 1,727,314          |
| Total operating expenses      | <u>22,405,967</u>   | <u>21,304,130</u> | <u>21,361,066</u>  |
| Operating loss                | <u>(1,696,634)</u>  | <u>(297,883)</u>  | <u>(1,516,246)</u> |
| Nonoperating revenues:        |                     |                   |                    |
| Taxes                         | 199,417             | 162,746           | 192,402            |
| Investment income             | 42,939              | 55,096            | 43,912             |

|                                       | Year ended June 30, |               |                |
|---------------------------------------|---------------------|---------------|----------------|
|                                       | 2020                | 2019          | 2018           |
| Grants and contributions – Noncapital | 2,517,580           | 65,693        | 69,955         |
| Total nonoperating revenues           | 2,759,936           | 283,535       | 306,269        |
| Increase (decrease) in net position   | \$ 1,063,302        | \$ (14,348)   | \$ (1,209,977) |
| Net position at end of year           | \$ 24,582,102       | \$ 23,518,800 | \$ 23,533,148  |

### **Operating Loss**

The first component of the overall change in the Hospital's net position is its operating income (loss)—generally, the difference between net patient service revenue and the expenses incurred to perform those services. The Hospital reported an operating loss of \$1,696,634 and \$297,883 in 2020 and 2019, respectively.

The primary components of the operating loss in 2020 are:

- A decrease in net patient service revenue of \$194,690 or 1%. The decrease was due primarily to the effects on operations of decreases in utilization due to the global pandemic.
- Maintaining staffing levels in compliance with federal COVID-19 programs despite the significant decrease in patient services provided in the spring of 2020.
- Increases in depreciation and other costs related to the additional clinic space placed in service in July 2019.

The primary components of the operating loss in 2019 are:

- An increase in net patient service revenue of \$958,021 or 5%. The increase is primarily related to increases in service levels for various departments.
- Other operating revenue increased approximately \$205,000 in 2019 primarily due to increasing utilization of services under the 340B Drug Discount Program by approximately \$184,000.
- Supplies and other expenses decreased by approximately \$234,000 and depreciation expense decreased by approximately \$170,000. The decrease in depreciation expense is largely due to significant computer hardware and software becoming fully depreciated in 2019.

The rate of healthcare inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs are expenses for medical supplies and prescription drugs. Some of the major factors contributing to the increased medical supply and drug costs include the introduction of new drugs that cannot be obtained in generic form, and changes in therapeutic mix.

### **Nonoperating Revenues and Expenses**

The primary components of nonoperating revenues and expenses have traditionally been tax revenues, investment income, and grants and contributions. As mentioned earlier, the Hospital has received significant additional funding from the federal government under programs to assist healthcare providers in managing the effects of the global pandemic. As such, these programs are expected to terminate when the pandemic subsides.

### **Capital Assets**

The Hospital had \$17,745,051 and \$18,811,098 invested in capital assets, net of accumulated depreciation at June 30, 2020 and 2019, respectively, as detailed in Note 7 to the financial statements. The Hospital had

expenditures for capital assets of \$823,717 and \$3,914,571 in 2020 and 2019, respectively. Approximately \$3,580,000 and \$182,000 of expenditures in 2020 and 2019, respectively, related to the clinic expansion project.

### **Issues Facing the Hospital**

There are issues facing the Hospital that could result in material changes in its financial position in the long term. Among these issues are:

- COVID-19 global pandemic. As previously mentioned, the Hospital along with all providers in the United States have been negatively impacted by the worldwide coronavirus pandemic. This has caused a disruption in patient volumes and other changes required to control the pandemic. In response to this disruption, Congress has passed several laws to provide emergency funding to Hospitals for the replacement of lost revenues, additional direct expenses incurred, and preserving the employment of staff. In addition, in early April 2020, the Medicare program approved an advanced payment against up to six months of future Medicare claims payments. While these funds were much needed, it is uncertain at this time as to how much of this funding the Hospital will be able to keep in accordance with the terms of the various programs.
- Risks related to Medicare and Medicaid reimbursement. A significant portion of the Hospital's revenues are derived from the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. The funding of these programs by the federal and state governments face increasing pressure due to the significant increases in the costs of providing healthcare services in recent years.
- Employment and labor issues. The Hospital is a major employer within the community, employing a complex mix of professional, technical, clerical, maintenance, dietary, and other workers. Risks include personal tort actions, work-related injuries and exposure to hazardous materials. A relative shortage of nursing and other medical professional/technical employees within the state, which has been exacerbated by the global pandemic, is an issue that is causing salary and benefits costs to increase at significant rates.
- Technology and services. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, and outpatient healthcare delivery may reduce utilization and revenues for the Hospital in the future. Technological advances continue to accelerate the need to acquire sophisticated and expensive equipment and services for diagnosis and treatment of illnesses and diseases.
- Increasing numbers of uninsured and underinsured patients. Due to the significant increases and high cost of healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital are finding it more and more difficult to obtain or maintain adequate health insurance coverage. With the global pandemic and its effect on employment levels in the area, increases in the levels of uncompensated care provided by the Hospital are possible.

### **Contacting The Hospital's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Administration Department, at Scott County Hospital, Inc., 301 Albert Avenue, Scott City, Kansas 67871.



# SCOTT COUNTY HOSPITAL

## BALANCE SHEETS

### ASSETS

|   | June 30,             |                      |
|---|----------------------|----------------------|
|   | 2020                 | 2019                 |
| Current assets:   |                      |                      |
| Cash (Notes 1 and 3)  | \$ 14,621,545        | \$ 3,879,633         |
| Assets limited as to use (Note 3)   | 64,605               | 25,053               |
| Accounts receivable, net of allowance for doubtful accounts of<br>\$1,145,458 in 2020 and \$882,031 in 2019 (Notes 1 and 4) | 2,460,992            | 3,393,185            |
| Employee receivables  | 3,542                | 3,542                |
| Inventories (Note 1)  | 480,013              | 435,340              |
| Estimated third-party payor settlements (Note 2)  | 669,746              | —                    |
| Prepaid expenses and other  | 170,711              | 205,689              |
| Total current assets  | <u>18,471,154</u>    | <u>7,942,442</u>     |
| Property and equipment, at cost (Notes 1 and 7):  |                      |                      |
| Land  | 195,000              | 195,000              |
| Land improvements   | 599,984              | 336,475              |
| Buildings   | 13,731,766           | 11,313,570           |
| Fixed equipment   | 12,649,804           | 11,410,424           |
| Movable equipment   | 8,450,200            | 7,757,856            |
| Construction in progress  | 48,600               | 3,838,312            |
| Total property and equipment  | 35,675,354           | 34,851,637           |
| Less accumulated depreciation   | <u>17,930,305</u>    | <u>16,040,539</u>    |
| Property and equipment, net of accumulated depreciation   | <u>17,745,049</u>    | <u>18,811,098</u>    |
| Total assets  | <u>\$ 36,216,203</u> | <u>\$ 26,753,540</u> |

The accompanying notes are an integral part of the financial statements.

## LIABILITIES AND NET POSITION

|  | June 30,             |                      |
|--|----------------------|----------------------|
|  | <u>2020</u>          | <u>2019</u>          |
| Current liabilities:                             |                      |                      |
| Accounts payable                                 | \$ 901,545           | \$ 968,110           |
| Salaries and payroll taxes payable               | 1,313,167            | 1,165,938            |
| Estimated third-party payor settlements (Note 2) | —                    | 601,566              |
| Compensated absences payable (Note 1)            | 586,535              | 499,126              |
| Refundable advances (Note 9)                     | <u>6,838,484</u>     | <u>—</u>             |
| Total current liabilities                        | <u>9,639,731</u>     | <u>3,234,740</u>     |
| <br>Total long-term liabilities (Note 8)         | <br><u>1,994,370</u> | <br><u>—</u>         |
| Total liabilities                                | <u>11,634,101</u>    | <u>3,234,740</u>     |
| <br>Net position (Notes 1 and 3):                |                      |                      |
| Net investment in capital assets                 | 17,745,051           | 18,811,098           |
| Restricted for specific operating activities     | 64,605               | 25,053               |
| Unrestricted                                     | <u>6,772,446</u>     | <u>4,682,649</u>     |
| Total net position                               | <u>24,582,102</u>    | <u>23,518,800</u>    |
| Total liabilities and net position               | <u>\$ 36,216,203</u> | <u>\$ 26,753,540</u> |

# SCOTT COUNTY HOSPITAL

## STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

|  | Year ended June 30, |               |
|--|---------------------|---------------|
|  | 2020                | 2019          |
| Operating revenues:                    |                     |               |
| Net patient service revenue (Note 1)   | \$ 19,632,530       | \$ 19,827,220 |
| Outside services                       | 97,893              | 3,041         |
| Other                                  | 978,910             | 1,175,986     |
| Total operating revenue                | 20,709,333          | 21,006,247    |
| Operating expenses:                    |                     |               |
| Salaries                               | 12,185,710          | 11,528,431    |
| Employee benefits                      | 3,132,237           | 3,230,636     |
| Supplies and other                     | 5,198,256           | 4,897,535     |
| Depreciation and amortization (Note 1) | 1,889,764           | 1,647,528     |
| Total operating expenses               | 22,405,967          | 21,304,130    |
| Operating loss                         | (1,696,634)         | (297,883)     |
| Nonoperating revenues:                 |                     |               |
| Tax revenues                           | 199,417             | 162,746       |
| Investment income                      | 42,939              | 55,096        |
| Noncapital grants and contributions    | 212,152             | —             |
| Cares Act funding (Note 9)             | 2,305,428           | 65,693        |
| Total nonoperating revenues            | 2,759,936           | 283,535       |
| Increase (decrease) in net position    | 1,063,302           | (14,348)      |
| Net position at beginning of year      | 23,518,800          | 23,533,148    |
| Net position at end of year            | \$ 24,582,102       | \$ 23,518,800 |

The accompanying notes are an integral  
part of the financial statements.

**SCOTT COUNTY HOSPITAL**  
**STATEMENTS OF CASH FLOWS**

|  | Year ended June 30,  |                     |
|--|----------------------|---------------------|
|  | 2020                 | 2019                |
| Cash flows from operating activities:                          |                      |                     |
| Receipts from and on behalf of patients                        | \$ 19,293,411        | \$ 20,221,280       |
| Payments to suppliers and contractors                          | (5,293,128)          | (5,086,174)         |
| Payments for salaries and employee benefits                    | (15,083,309)         | (14,696,889)        |
| Other receipts and payments, net                               | <u>7,915,287</u>     | <u>1,179,027</u>    |
| Net cash flows from operating activities                       | <u>6,832,261</u>     | <u>1,617,244</u>    |
| Cash flows from noncapital financing activities:               |                      |                     |
| Property taxes for operations                                  | 199,417              | 162,746             |
| Grants and contributions                                       | 212,152              | 65,693              |
| Cares Act funding  | 2,305,428            | —                   |
| Proceeds from issuance of long-term debt                       | <u>1,994,370</u>     | <u>—</u>            |
| Net cash flows from noncapital financing activities            | <u>4,711,367</u>     | <u>228,439</u>      |
| Net cash flows from capital and related financing activities – |                      |                     |
| Purchases of property and equipment                            | <u>(805,103)</u>     | <u>(3,658,499)</u>  |
| Cash flows from investing activities:                          |                      |                     |
| Net change in employee receivables                             | —                    | —                   |
| Investment income  | <u>42,939</u>        | <u>55,096</u>       |
| Net cash flows from investing activities                       | <u>42,939</u>        | <u>55,096</u>       |
| Increase (decrease) in cash and cash equivalents               | 10,781,464           | (1,757,720)         |
| Cash and cash equivalents at beginning of year                 | <u>3,904,686</u>     | <u>5,662,406</u>    |
| Cash and cash equivalents at end of year                       | <u>\$ 14,686,150</u> | <u>\$ 3,904,686</u> |
| Reconciliation of cash and cash equivalents to balance sheets: |                      |                     |
| Cash and cash equivalents in current assets                    | \$ 14,621,545        | \$ 3,879,633        |
| Cash and cash equivalents in assets limited as to use          | <u>64,605</u>        | <u>25,053</u>       |
| Total cash and cash equivalents                                | <u>\$ 14,686,150</u> | <u>\$ 3,904,686</u> |

The accompanying notes are an integral  
part of the financial statements.

**SCOTT COUNTY HOSPITAL**  
**STATEMENTS OF CASH FLOWS - continued**

|  | <u>Year ended June 30,</u> |                     |
|--|----------------------------|---------------------|
|  | <u>2020</u>                | <u>2019</u>         |
| Reconciliation of operating loss to net cash used by operating activities:           |                            |                     |
| Operating loss   | \$ (1,696,634)             | \$ (297,883)        |
| Adjustments to reconcile operating loss to net cash flows from operating activities: |                            |                     |
| Depreciation and amortization  | 1,889,764                  | 1,647,528           |
| Bad debt expense   | 951,135                    | 1,012,551           |
| Net (increases) decreases in current assets:   |                            |                     |
| Accounts receivable  | (18,942)                   | (1,193,934)         |
| Inventories  | (44,673)                   | (10,089)            |
| Estimated third-party payor settlements  | (669,746)                  | —                   |
| Other  | 34,978                     | (65,099)            |
| Net increases (decreases) in current liabilities:                                    |                            |                     |
| Accounts payable   | (85,177)                   | (113,451)           |
| Salaries and payroll taxes payable   | 147,229                    | 19,386              |
| Estimated third-party payor settlements  | (601,566)                  | 575,443             |
| Compensated absences payable   | 87,409                     | 42,792              |
| Unearned revenue   | <u>6,838,484</u>           | <u>—</u>            |
| Net cash flows from operating activities   | <u>\$ 6,832,261</u>        | <u>\$ 1,617,244</u> |

# SCOTT COUNTY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Hospital's financial statements. The financial statements and notes are representations of the Hospital's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

#### Organization and business activity

The Hospital provides acute care, swing-bed, rural health clinic, and outpatient services. The Board of County Commissioners appoints the members of the Board of Trustees and a financial benefit or burden exists with Scott County. For these reasons, the Hospital is considered to be a component unit of Scott County, Kansas.

#### Enterprise fund accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Operating revenues and expenses

The Hospital's statement of revenues, expenses, and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Hospital considers all highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

## 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Patient accounts receivable**

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, payer mix trends, and existing economic conditions. As a service to patients, the Hospital bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are generally due in full when billed. If the patient is unable to pay the full amount at the time the patient is billed, the Hospital negotiates a payment plan whereby monthly payments are made by the patient on the account. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. If future actual default rates on accounts receivable differ from those currently anticipated, the Hospital may have to adjust its allowance for doubtful accounts, which would affect earnings in the period the adjustments are made.

### **Inventories**

Inventories are stated at cost as determined by the first-in, first-out method.

### **Capital assets**

The Hospital's capital assets that are \$5,000 or greater, are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using the following estimated useful lives:

|                         | <u>Estimated<br/>useful lives</u> |
|-------------------------|-----------------------------------|
| Land improvements ..... | 10 - 28 years                     |
| Buildings .....         | 15 - 50 years                     |
| Fixed equipment.....    | 10 - 30 years                     |
| Movable equipment ..... | 5 - 21 years                      |

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. When depreciable property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected as non-operating revenue (expense).

### **Net patient service revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, per diem payments, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

### **Taxation**

The Hospital is a component unit of Scott County, Kansas, a political subdivision of the State of Kansas and as such, is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

## 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Charity care**

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy based on current poverty level guidelines. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital provided \$45,421 and \$10,078 of charity care for the years ended June 30, 2020 and 2019, respectively, estimated by multiplying the Hospital's cost to charge ratio by the gross uncompensated care charges associated with providing care to charity patients.

### **Compensated absences**

Employees of the Hospital are entitled to paid time off depending on length of service and whether they are full or part time. Upon resignation, termination or retirement from service with the Hospital, employees are entitled to payment for all accrued paid time off, up to the allowable maximum. The Hospital accrues the paid time off benefits as earned.

### **Grants and contributions**

From time to time, the Hospital receives grants and contributions from government agencies, private organizations, and individuals. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenue. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

### **Net position**

Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted for specific operating activities* are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets*.

### **Deferred inflows of resources/Deferred outflows of resources**

A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. There were no items that met the definition of a deferred outflow or a deferred inflow of resources.

### **Risk management**

The Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Hospital pays fixed premiums for annual medical malpractice coverage under an occurrence-basis policy. The Hospital accrues the expenses of its share of malpractice claim costs, if any, of reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident. Based on the Hospital's own claims experience, no accrual, for medical malpractice costs has been made in the accompanying financial statements.

The Hospital has implemented a partially self-funded insurance plan (Note 5) to administer its employee health insurance benefits. Liabilities under this plan are estimated based on settled claims, frequency of claims and other economic factors. Claims incurred, but not reported, are recorded as a portion of the estimated liability.

### **Reclassifications**

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. The reclassifications had no effect on the change in net position.

### **Subsequent events**

Subsequent events have been evaluated through January 22, 2021, which is the date the financial statements were available to be issued.

## **2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS**

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient and outpatient services are paid based on cost reimbursement methodologies. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and reviews thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through June 30, 2018.
- **Medicaid** – Effective January 1, 2013, the Hospital is reimbursed under the State of Kansas KanCare program utilizing the Medicaid fee schedule plus a cost adjustment factor.

Approximately 56% and 54% of net patient service revenue is from participation in the Medicare program for the years ended June 30, 2020 and 2019, respectively. Laws and regulations governing the Medicare program are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other third-party payer programs. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and cost reimbursement.

### 3. CASH AND ASSETS WHOSE USE IS LIMITED

Cash and assets whose use is limited consisted of the following:

|                              | June 30,             |                     |
|------------------------------|----------------------|---------------------|
|                              | 2020                 | 2019                |
| Unrestricted:                |                      |                     |
| Cash on hand                 | \$ 600               | \$ 600              |
| Demand deposit accounts      | 4,915,109            | 3,046,729           |
| Money market accounts        | 4,652,200            | 476,520             |
| Certificates of deposit      | 4,660,363            | —                   |
| Savings accounts             | 393,273              | 355,784             |
|                              | <u>14,621,545</u>    | <u>3,879,633</u>    |
| Assets whose use is limited: |                      |                     |
| Cash on hand                 | 860                  | 1,680               |
| Money market accounts        | 63,745               | 23,373              |
|                              | <u>64,605</u>        | <u>25,053</u>       |
|                              | <u>\$ 14,686,150</u> | <u>\$ 3,904,686</u> |

Assets whose use is limited are restricted for the following purposes:

|                            | June 30,         |                  |
|----------------------------|------------------|------------------|
|                            | 2020             | 2019             |
| Emergency medical services | \$ 49,008        | \$ 7,134         |
| Indigent care              | 15,597           | 17,919           |
|                            | <u>\$ 64,605</u> | <u>\$ 25,053</u> |

Assets released from restrictions were as follows:

|                            | Year ended June 30, |                  |
|----------------------------|---------------------|------------------|
|                            | 2020                | 2019             |
| Emergency medical services | \$ 74,980           | \$ 3,387         |
| Indigent care              | 4,220               | 5,540            |
| Mammography expenses       | —                   | 8,062            |
|                            | <u>\$ 79,200</u>    | <u>\$ 16,989</u> |

#### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital's deposits may not be returned or the Hospital will not be able to recover collateral securities in the possession of an outside party. The Hospital's policy follows applicable state statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable types of pledged securities.

At June 30, 2020, the carrying amount of the Hospital's cash and investments on deposit was \$14,684,690 with the bank balances of such accounts being \$14,763,461. Of the bank balances, \$270,570 was secured by federal depository insurance and \$14,492,891 was covered by collateral held by the Hospital's custodial banks in joint custody in the name of the Hospital and its banks. The fair value of the pledged securities held by the Hospital's custodial banks was \$15,223,457 at June 30, 2020.

The remaining carrying amount of the Hospital's cash and investments at June 30, 2020 consisted of cash on hand of \$1,460.

### 3. CASH AND ASSETS WHOSE USE IS LIMITED (continued)

#### Investment policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Hospital's investing activities are managed under the custody of the Hospital Chief Executive Officer. Investing is performed in accordance with investment policies adopted by the Board of Trustees and in compliance with state statutes.

Applicable state statutes authorize the Hospital to invest in (1) temporary notes or no-fund warrants issued by the Hospital; (2) savings deposits, time deposits, open accounts or certificates of deposit or time certificates with maturities of not more than two years, in commercial banks, savings and loan associations and savings banks; (3) repurchase agreements with commercial banks, savings and loan associations and savings banks; (4) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; and (5) the municipal investment pool maintained by the State Treasurer's office.

### 4. CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local area residents and may be insured under third-party payor agreements. The mix of gross accounts receivable from patients and third-party payors was as follows:

|            | June 30,    |             |
|------------|-------------|-------------|
|            | 2020        | 2019        |
| Medicare   | 29%         | 42%         |
| Medicaid   | 4           | 5           |
| Blue Cross | 15          | 15          |
| Commercial | 10          | 10          |
| Self pay   | 42          | 28          |
|            | <u>100%</u> | <u>100%</u> |

### 5. EMPLOYEE HEALTH CLAIMS

Effective October 1, 2014, a self-insured plan was instituted to provide the health, pharmacy and dental coverage of participating employees and dependents up to certain individual or family annual aggregate amounts, with commercial stop-loss insurance coverage purchased for claims in excess of the aggregate annual amount.

At each fiscal year end a provision is accrued for self-insured claims for both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors.

Activity in the Hospital's self-insured employee health claims liability during fiscal 2020 and 2019 is summarized as follows:

|   | Year ended June 30, |                    |
|---|---------------------|--------------------|
|   | 2020                | 2019               |
| Balance, beginning of year  | \$ 133,460          | \$ 234,560         |
| Current year claims incurred and changes in estimates for claims incurred in prior years: |                     |                    |
| Employer portion  | 1,746,873           | 1,374,215          |
| Employee portion  | 365,016             | 354,399            |
| Claims and expenses paid  | <u>(2,048,749)</u>  | <u>(1,829,714)</u> |
| Balance, end of year  | <u>\$ 196,600</u>   | <u>\$ 133,460</u>  |

## 6. EMPLOYEE RETIREMENT PLAN

Prior to January 1, 2017, the Hospital maintained a 401(k) Profit Sharing Plan for the benefit of eligible employees. Under that Plan the Hospital was required to contribute three percent of eligible employees compensation for each plan year. In addition, the Plan also authorized the Hospital to make a discretionary profit sharing contribution for an amount determined at the sole discretion of the Board of Trustees on an annual basis.

Effective January 1, 2017, the Hospital established the Scott County Hospital Section 457(b) Plan under Code Section 457(b) of the Internal Revenue Code ("457 Plan"). Concurrent with the establishment of the 457 Plan, the Hospital restated the 401(k) Profit Sharing Plan under the name of the Scott County Hospital Retirement Plan ("Retirement Plan"). The restated Retirement Plan removed the 401(k) features of the plan.

The total combined Hospital cost under the plans were \$644,787 and \$603,547 for 2020 and 2019, respectively.

## 7. CAPITAL ASSETS

Capital asset additions, disposals, and balances for the years ended June 30, 2020 and 2019 were as follows:

|  | Balance At<br>June 30,<br>2019 | Additions        | Disposals | Transfers          | Balance At<br>June 30,<br>2020 |
|--|--------------------------------|------------------|-----------|--------------------|--------------------------------|
| Capital assets not being depreciated:      |                                |                  |           |                    |                                |
| Land                                       | \$ 195,000                     | \$ -             | \$ -      | \$ -               | \$ 195,000                     |
| Construction in progress                   | <u>3,838,312</u>               | <u>181,721</u>   | <u>-</u>  | <u>(3,971,433)</u> | <u>48,600</u>                  |
| Total capital assets not being depreciated | <u>4,033,312</u>               | <u>181,721</u>   | <u>-</u>  | <u>(3,971,433)</u> | <u>243,600</u>                 |
| Capital assets being depreciated:          |                                |                  |           |                    |                                |
| Land improvements                          | 336,475                        | -                | -         | 263,509            | 599,984                        |
| Buildings                                  | 11,313,570                     | -                | -         | 2,418,196          | 13,731,766                     |
| Fixed equipment                            | 11,410,424                     | -                | -         | 1,239,380          | 12,649,804                     |
| Movable equipment                          | <u>7,757,856</u>               | <u>641,996</u>   | <u>-</u>  | <u>50,348</u>      | <u>8,450,200</u>               |
| Total capital assets being depreciated     | <u>30,818,325</u>              | <u>641,996</u>   | <u>-</u>  | <u>3,971,433</u>   | <u>35,431,754</u>              |
| Less accumulated depreciation for:         |                                |                  |           |                    |                                |
| Land improvements                          | 249,141                        | 57,826           | -         | -                  | 306,967                        |
| Buildings                                  | 4,010,924                      | 644,554          | -         | -                  | 4,655,478                      |
| Fixed equipment                            | 5,334,094                      | 807,688          | -         | -                  | 6,141,782                      |
| Movable equipment                          | <u>6,446,380</u>               | <u>379,696</u>   | <u>-</u>  | <u>-</u>           | <u>6,826,076</u>               |
| Total accumulated depreciation             | <u>16,040,539</u>              | <u>1,889,764</u> | <u>-</u>  | <u>-</u>           | <u>17,930,303</u>              |

## 7. CAPITAL ASSETS (continued)

|   | Balance At<br>June 30,<br>2019 | Additions             | Disposals   | Transfers    | Balance At<br>June 30,<br>2020 |
|---|--------------------------------|-----------------------|-------------|--------------|--------------------------------|
| Total capital assets being depreciated, net | \$ 14,777,786                  | \$ (1,247,768)        | \$ —        | \$ 3,971,433 | \$ 17,501,451                  |
| Total capital assets, net                   | <u>\$ 18,811,098</u>           | <u>\$ (1,066,047)</u> | <u>\$ —</u> | <u>\$ —</u>  | <u>\$ 17,745,051</u>           |
|   | Balance At<br>June 30,<br>2018 | Additions             | Disposals   | Transfers    | Balance At<br>June 30,<br>2019 |
| Capital assets not being depreciated:       |                                |                       |             |              |                                |
| Land  | \$ 195,000                     | \$ —                  | \$ —        | \$ —         | \$ 195,000                     |
| Construction in progress                    | <u>258,996</u>                 | <u>3,579,316</u>      | <u>—</u>    | <u>—</u>     | <u>3,838,312</u>               |
| Total capital assets not being depreciated  | <u>453,996</u>                 | <u>3,579,316</u>      | <u>—</u>    | <u>—</u>     | <u>4,033,312</u>               |
| Capital assets being depreciated:           |                                |                       |             |              |                                |
| Land improvements                           | 336,475                        | —                     | —           | —            | 336,475                        |
| Buildings                                   | 11,313,570                     | —                     | —           | —            | 11,313,570                     |
| Fixed equipment                             | 11,410,424                     | —                     | —           | —            | 11,410,424                     |
| Movable equipment                           | <u>7,422,601</u>               | <u>335,255</u>        | <u>—</u>    | <u>—</u>     | <u>7,757,856</u>               |
| Total capital assets being depreciated      | <u>30,483,070</u>              | <u>335,255</u>        | <u>—</u>    | <u>—</u>     | <u>30,818,325</u>              |
| Less accumulated depreciation for:          |                                |                       |             |              |                                |
| Land improvements                           | 217,751                        | 31,390                | —           | —            | 249,141                        |
| Buildings                                   | 3,523,760                      | 487,164               | —           | —            | 4,010,924                      |
| Fixed equipment                             | 4,604,714                      | 729,380               | —           | —            | 5,334,094                      |
| Movable equipment                           | <u>6,046,786</u>               | <u>399,594</u>        | <u>—</u>    | <u>—</u>     | <u>6,446,380</u>               |
| Total accumulated depreciation              | <u>14,393,011</u>              | <u>1,647,528</u>      | <u>—</u>    | <u>—</u>     | <u>16,040,539</u>              |
| Total capital assets being depreciated, net | <u>16,090,059</u>              | <u>2,267,043</u>      | <u>—</u>    | <u>—</u>     | <u>18,357,102</u>              |
| Total capital assets, net                   | <u>\$ 16,544,055</u>           | <u>\$ 2,267,043</u>   | <u>\$ —</u> | <u>\$ —</u>  | <u>\$ 18,811,098</u>           |

## **8. LONG-TERM LIABILITIES**

In May of 2020 the Hospital received loan proceeds of \$1,994,370 through a local bank under the Paycheck Protection Program (“PPP”). The loan is payable with a single payment due at maturity on April 30, 2022 and accrues interest at 1.00%. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying entities for amounts up to 2.5 times of the average monthly payroll expenses of the entity. The loan is forgivable after a designated eight week period as long as the Hospital uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. Any portion of the loan forgiven will be recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. The loan is subject to audit and acceptance by the Small Business Administration (SBA) before any amounts are forgiven. As of the issue date of the financial statements the loan has not, as of yet, been forgiven by the SBA.

## **9. COVID-19 PANDEMIC AND CARES ACT FUNDING**

### **Provider Relief Funds**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to many countries, including the United States. On March 11, 2020, the World Health Organization (“WHO”) characterized the COVID-19 as a global pandemic as it continued to spread rapidly throughout the world. Business continuity, including supply chains and consumer demand across a broad range of industries and countries have been and may continue to be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

In 2020, in response to the pandemic, the federal government, through the Department of Health and Human Services (HHS), has provided funds to healthcare providers in the United States to assist in managing the additional costs and disruptions in normal operations incurred by these providers as a result of the pandemic. Certain conditions must be met in order for an entity to retain the funds.

During the year ended June 30, 2020, the Hospital received \$4,383,549 under the *CARES Act* Provider Relief Fund (“PRF”). These funds will not be subject to repayment, provided that the Hospital is able to attest that it has complied with the conditions of the funding that includes use of the funds for qualifying expenses and/or lost revenue related to the pandemic.

These payments are being accounted for as voluntary nonexchange transactions and, as such, the payments are recognized as revenue to the extent that applicable terms and conditions are met under the program. For the year ended June 30, 2020 the Hospital has recognized \$2,205,428 as nonoperating revenue of PRF funds. The unrecognized amounts of the PRF funds of \$2,178,121 is recorded as refundable advances in the current liabilities section of the financial statements.

Subsequent to year-end, HHS has amended the conditions necessary to retain the funding several times. Further guidance and changes to the program are expected going forward. As a result, the amounts recorded in the financial statements may differ from amounts reported to HHS and any differences cannot be currently estimated but could be material.

### **Medicare Accelerated and Advance Payment Program**

During the year ended June 30, 2020, the Hospital requested and received \$4,660,363 of accelerated payments under the Medicare program, as provided for in the *CARES Act*. This program allows for eligible health care providers to request advance Medicare payments that will be offset against future claims for services to Medicare beneficiaries and as such are expected to be recouped by the Centers for Medicare and Medicaid Services (“CMS”) according to the provisions in the act.

## **9. COVID-19 PANDEMIC AND CARES ACT FUNDING (continued)**

Since the Hospital's 2020 fiscal year end, the payback provisions have been revised. The revised provisions require that the payback period begins one year after issuance of the advance payment. The payback period is phased with the first eleven months of the payback period being 25% of remittance advice payments followed by a six month payback period at 50% of the remittance advice payments. After 29 months, CMS expects any amounts not already paid back, will be paid in a lump sum or interest will begin to accrue at an annual rate of 4% until the advance is fully recouped.

## **10. OTHER POST EMPLOYMENT BENEFITS**

As provided by K.S.A. 12-5040, the Hospital is required to allow qualifying retirees to participate in the group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of the subsidy, if any, has not been quantified in these financial statements and management believes any impact on the financial statements is not significant.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the Hospital under this plan.

## **ADDITIONAL INFORMATION**



# SCOTT COUNTY HOSPITAL Patient Service Revenue

|                             | Year Ended June 30, 2020 |              |               |               | Year Ended June 30, 2019     |              |              |               |               |                              |
|-----------------------------|--------------------------|--------------|---------------|---------------|------------------------------|--------------|--------------|---------------|---------------|------------------------------|
|                             | Inpatient                | Swing Bed    | Outpatient    | Total         | % of Patient Service Revenue | Inpatient    | Swing Bed    | Outpatient    | Total         | % of Patient Service Revenue |
| Routine service             | \$ 1,105,379             | \$ 1,198,198 | \$ 517,281    | \$ 2,820,858  | 9.69%                        | \$ 1,101,456 | \$ 1,683,393 | \$ 467,272    | \$ 3,252,121  | 11.24%                       |
| Nursery                     | 69,841                   | —            | —             | 69,841        | 0.24%                        | 67,289       | —            | —             | 67,289        | 0.23%                        |
| Operating room              | 124,417                  | 2,055        | 863,459       | 989,931       | 3.40%                        | 95,014       | 9,715        | 835,407       | 940,136       | 3.25%                        |
| Delivery room               | 69,578                   | —            | —             | 69,578        | 0.24%                        | 72,777       | —            | —             | 72,777        | 0.25%                        |
| Anesthesiology              | 108,492                  | 16,705       | 670,714       | 795,911       | 2.73%                        | 91,633       | 21,850       | 654,662       | 768,145       | 2.65%                        |
| Radiology                   | 40,756                   | 19,365       | 865,979       | 926,100       | 3.18%                        | 42,987       | 24,454       | 809,311       | 876,752       | 3.03%                        |
| MRI                         | 32,481                   | 6,408        | 724,307       | 763,196       | 2.62%                        | 28,305       | 5,714        | 612,309       | 646,328       | 2.23%                        |
| CT scan                     | 172,232                  | 31,625       | 2,038,116     | 2,241,973     | 7.70%                        | 172,461      | 41,926       | 1,755,751     | 1,970,138     | 6.80%                        |
| Nuclear medicine            | 3,114                    | —            | 195,917       | 199,031       | 0.68%                        | —            | 1,234        | 215,096       | 216,330       | 0.75%                        |
| Ultrasound                  | 76,573                   | 15,951       | 981,834       | 1,074,358     | 3.69%                        | 89,562       | 29,066       | 814,486       | 933,114       | 3.22%                        |
| Sleep study                 | —                        | —            | 488,410       | 488,410       | 1.68%                        | —            | —            | 492,084       | 492,084       | 1.70%                        |
| Laboratory                  | 372,373                  | 121,135      | 4,067,622     | 4,561,130     | 15.67%                       | 388,856      | 222,717      | 3,665,974     | 4,277,547     | 14.77%                       |
| Respiratory therapy         | 215,677                  | 350,326      | 306,020       | 872,023       | 3.00%                        | 218,535      | 515,321      | 272,190       | 1,006,046     | 3.47%                        |
| Physical therapy            | 89,926                   | 354,614      | 1,120,585     | 1,565,125     | 5.38%                        | 34,637       | 312,284      | 1,134,156     | 1,481,077     | 5.11%                        |
| Occupational therapy        | 79,694                   | 276,994      | 400,479       | 757,167       | 2.60%                        | 84,308       | 411,826      | 292,508       | 788,642       | 2.72%                        |
| Speech therapy              | 18,495                   | 49,786       | 27,396        | 95,677        | 0.33%                        | —            | —            | —             | —             | —                            |
| Electrocardiology           | 21,274                   | 4,810        | 291,605       | 317,689       | 1.09%                        | 13,946       | 6,544        | 304,497       | 324,987       | 1.12%                        |
| Medical supplies            | 232,786                  | 207,369      | 183,194       | 623,349       | 2.14%                        | 209,876      | 316,733      | 157,545       | 684,154       | 2.36%                        |
| Pharmacy                    | 541,087                  | 567,672      | 1,796,266     | 2,905,025     | 9.98%                        | 509,746      | 838,156      | 1,980,564     | 3,328,466     | 11.49%                       |
| Treatment room              | 1,496                    | 2,939        | 918,251       | 922,686       | 3.17%                        | 6,974        | 4,425        | 979,500       | 990,899       | 3.42%                        |
| Emergency room              | 73,434                   | —            | 1,897,529     | 1,970,963     | 6.77%                        | 67,358       | 388          | 1,706,282     | 1,774,028     | 6.13%                        |
| Clinics                     | 396                      | —            | 3,293,089     | 3,293,485     | 11.31%                       | 1,871        | —            | 3,184,075     | 3,185,946     | 11.00%                       |
| Cardiac rehabilitation      | —                        | —            | 172,534       | 172,534       | 0.59%                        | —            | —            | 268,834       | 268,834       | 0.93%                        |
| Durable medical equipment   | —                        | —            | 365,636       | 365,636       | 1.26%                        | —            | —            | 363,701       | 363,701       | 1.26%                        |
| Ambulance                   | 12,613                   | 673          | 236,697       | 249,983       | 0.86%                        | 19,363       | 4,318        | 228,758       | 252,439       | 0.87%                        |
| Total ancillary services    | \$ 3,462,114             | \$ 3,226,625 | \$ 22,422,920 | \$ 29,111,659 | 100.00%                      | \$ 3,316,954 | \$ 4,450,064 | \$ 21,194,962 | \$ 28,961,980 | 100.00%                      |
| Contractual adjustments     |                          |              |               | (8,468,979)   | (29.09%)                     |              |              |               | (8,108,509)   | (28.00%)                     |
| Charity care                |                          |              |               | (59,015)      | (0.20%)                      |              |              |               | (13,700)      | (0.05%)                      |
| Bad debts                   |                          |              |               | (951,135)     | (3.27%)                      |              |              |               | (1,012,551)   | (3.50%)                      |
| Net patient service revenue |                          |              |               | \$ 19,632,530 | 67.44%                       |              |              |               | \$ 19,827,220 | 68.46%                       |

# SCOTT COUNTY HOSPITAL

## Operating Expenses By Functional Division

|  | Year Ended June 30, 2020 |                   |                    |              |              | % of Total Operating Expenses | Year Ended June 30, 2019 |                   |                    |              |              | % of Total Operating Expenses |
|--|--------------------------|-------------------|--------------------|--------------|--------------|-------------------------------|--------------------------|-------------------|--------------------|--------------|--------------|-------------------------------|
|  | Salaries                 | Employee Benefits | Supplies and Other | Depreciation | Total        |                               | Salaries                 | Employee Benefits | Supplies and Other | Depreciation | Total        |                               |
| Routine services:                      |                          |                   |                    |              |              |                               |                          |                   |                    |              |              |                               |
| Acute and swing bed                    | \$ 1,784,862             | \$ 360,299        | \$ 153,250         | \$ 73,613    | \$ 2,372,024 | 10.58%                        | \$ 1,705,804             | \$ 358,178        | \$ 296,812         | \$ 74,287    | \$ 2,435,081 | 11.43%                        |
| Nursery                                | 7,541                    | 1,895             | 873                | 273          | 10,582       | 0.05%                         | 2,558                    | 2,112             | 5,825              | 272          | 10,767       | 0.05%                         |
| Total routine services                 | 1,792,403                | 362,194           | 154,123            | 73,886       | 2,382,606    | 10.63%                        | 1,708,362                | 360,290           | 302,637            | 74,559       | 2,445,848    | 11.48%                        |
| Ancillary services:                    |                          |                   |                    |              |              |                               |                          |                   |                    |              |              |                               |
| Operating room                         | 343,522                  | 111,894           | 185,009            | 47,039       | 687,464      | 3.07%                         | 312,882                  | 110,807           | 108,809            | 64,100       | 596,598      | 2.80%                         |
| Delivery room                          | 87,875                   | 16,928            | 31,997             | 6,302        | 143,102      | 0.64%                         | 7,839                    | (3,425)           | 24,650             | 6,303        | 35,367       | 0.17%                         |
| Anesthesia                             | 479,772                  | 117,868           | 49,427             | 12,379       | 659,446      | 2.94%                         | 461,020                  | 117,655           | 44,493             | 25,145       | 648,313      | 3.04%                         |
| Radiology                              | 185,563                  | 48,230            | 84,072             | 55,384       | 373,249      | 1.67%                         | 266,059                  | 58,788            | 91,156             | 31,022       | 447,025      | 2.10%                         |
| MRI                                    | 43,606                   | 10,302            | 85,942             | 46,163       | 186,013      | 0.83%                         | 35,091                   | 7,776             | 110,744            | 84,670       | 238,281      | 1.12%                         |
| CT scan                                | 156,757                  | 28,651            | 100,279            | 25,715       | 311,402      | 1.39%                         | 100,770                  | 18,534            | 31,890             | —            | 151,194      | 0.71%                         |
| Sleep study                            | 96,314                   | 21,896            | 133,264            | 6,687        | 258,161      | 1.15%                         | 141,065                  | 32,534            | 43,699             | 7,783        | 225,081      | 1.06%                         |
| Nuclear medicine                       | 25,999                   | 3,473             | 99,183             | —            | 128,655      | 0.57%                         | 20,398                   | 3,053             | 104,558            | —            | 128,009      | 0.60%                         |
| Ultrasound                             | 106,882                  | 23,034            | 25,167             | 359          | 155,442      | 0.69%                         | 72,471                   | 18,294            | 22,917             | 358          | 114,040      | 0.54%                         |
| Laboratory                             | 400,946                  | 112,116           | 561,721            | 38,298       | 1,113,081    | 4.97%                         | 405,232                  | 142,804           | 500,433            | 37,863       | 1,086,332    | 5.10%                         |
| Blood administration                   | —                        | —                 | 32,898             | —            | 32,898       | 0.15%                         | —                        | —                 | 37,031             | —            | 37,031       | 0.17%                         |
| Respiratory therapy                    | 257,400                  | 63,829            | 31,657             | 5,396        | 358,282      | 1.60%                         | 260,145                  | 63,243            | 114,456            | 4,737        | 442,581      | 2.08%                         |
| Physical therapy                       | 411,130                  | 109,981           | 96,966             | 2,878        | 620,955      | 2.77%                         | 276,744                  | 97,835            | 118,305            | 2,173        | 495,057      | 2.32%                         |
| Occupational therapy                   | 214,115                  | 54,227            | 32,606             | —            | 300,948      | 1.34%                         | 221,975                  | 45,844            | 9,274              | —            | 277,093      | 1.30%                         |
| Speech therapy                         | 42,499                   | 3,351             | 6,705              | —            | 52,555       | 0.23%                         | —                        | —                 | —                  | —            | —            | —                             |
| Electrocardiology                      | 5,154                    | 1,083             | —                  | 3,107        | 9,344        | 0.04%                         | 3,165                    | 1,042             | 2,744              | 3,032        | 9,983        | 0.05%                         |
| Medical supplies                       | 104,501                  | 23,024            | (6,401)            | 1,311        | 122,435      | 0.55%                         | 103,841                  | 30,692            | 24,344             | 1,307        | 160,184      | 0.75%                         |
| Pharmacy                               | 124,848                  | 19,590            | 714,928            | 3,485        | 862,851      | 3.85%                         | 122,443                  | 17,859            | 668,577            | 3,475        | 812,354      | 3.81%                         |
| Treatment room                         | 246,977                  | 57,942            | 89,135             | 135          | 394,189      | 1.76%                         | 304,656                  | 94,439            | 63,198             | 527          | 462,820      | 2.17%                         |
| Emergency room                         | 272,945                  | 97,800            | 27,858             | 7,949        | 406,552      | 1.81%                         | 322,417                  | 96,061            | 35,047             | 8,527        | 462,052      | 2.17%                         |
| Clinics                                | 3,814,480                | 833,591           | 396,332            | 8,508        | 5,052,911    | 22.55%                        | 3,498,938                | 877,032           | 297,980            | 4,015        | 4,677,965    | 21.96%                        |
| Cardiac rehabilitation                 | 47,094                   | 8,133             | 8,870              | —            | 64,097       | 0.29%                         | 92,112                   | 12,985            | 5,698              | 1,937        | 112,732      | 0.53%                         |
| Durable medical equipment              | 61,868                   | 23,982            | 146,829            | 199          | 232,878      | 1.04%                         | 77,233                   | 18,221            | 146,091            | 199          | 241,744      | 1.13%                         |
| Ambulance                              | 152,167                  | 94,408            | 48,300             | 2,222        | 297,097      | 1.33%                         | 141,860                  | 88,707            | 33,037             | 135          | 263,739      | 1.24%                         |
| Total ancillary services               | 7,682,414                | 1,885,333         | 2,982,744          | 273,516      | 12,824,007   | 57.23%                        | 7,248,356                | 1,950,780         | 2,639,131          | 287,308      | 12,125,575   | 56.92%                        |
| General services:                      |                          |                   |                    |              |              |                               |                          |                   |                    |              |              |                               |
| Nursing administration                 | 151,970                  | 31,781            | 3,427              | —            | 187,178      | 0.84%                         | 144,857                  | 36,398            | 1,568              | —            | 182,823      | 0.86%                         |
| Operation of plant                     | 147,477                  | 52,499            | 682,202            | 608          | 882,786      | 3.94%                         | 141,704                  | 46,121            | 593,308            | 606          | 781,739      | 3.67%                         |
| Laundry                                | 54,548                   | 14,611            | 7,205              | 1,980        | 78,344       | 0.35%                         | 49,059                   | 17,446            | 12,062             | 1,975        | 80,542       | 0.38%                         |
| Housekeeping                           | 217,970                  | 76,786            | 47,374             | —            | 342,130      | 1.53%                         | 189,576                  | 62,844            | 38,651             | —            | 291,071      | 1.37%                         |
| Nutritional services                   | 263,089                  | 85,930            | 228,347            | 2,153        | 579,519      | 2.59%                         | 235,987                  | 94,930            | 250,326            | 1,072        | 582,315      | 2.73%                         |
| Health information                     | 447,113                  | 136,955           | 228,590            | 4,031        | 816,689      | 3.64%                         | 450,138                  | 161,935           | 225,559            | 8,839        | 846,471      | 3.97%                         |
| Administration and general             | 1,284,075                | 388,042           | 709,179            | 23,357       | 2,404,653    | 10.73%                        | 1,232,881                | 394,474           | 727,803            | 25,071       | 2,380,229    | 11.17%                        |
| Employee benefits                      | 144,651                  | 98,106            | 155,065            | 164          | 397,986      | 1.78%                         | 127,511                  | 105,418           | 106,490            | 163          | 339,582      | 1.59%                         |
| Depreciation-fixed equipment/buildings | —                        | —                 | —                  | 1,510,069    | 1,510,069    | 6.74%                         | —                        | —                 | —                  | 1,247,935    | 1,247,935    | 5.86%                         |
| Total general services                 | 2,710,893                | 884,710           | 2,061,389          | 1,542,362    | 7,199,354    | 32.14%                        | 2,571,713                | 919,566           | 1,955,767          | 1,285,661    | 6,732,707    | 31.60%                        |
| Total expenses                         | \$12,185,710             | \$ 3,132,237      | \$ 5,198,256       | \$ 1,889,764 | \$22,405,967 | 100.00%                       | \$11,528,431             | \$ 3,230,636      | \$ 4,897,535       | \$ 1,647,528 | \$21,304,130 | 100.00%                       |